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Comments on Egyptian Commitments to the Sino-Soviet Bloc

1. Items Unaccounted for in Egypt's Balance of Payments with the Soviet Bloc

Egypt regularly has had a net credit position in its clearing accounts with the Sino-Soviet Bloc. This credit balance against the Bloc has fluctuated since October 1955 between LE 4.7 million and LE 8.0 million. Egypt's net credit balances against the Soviet Bloc amounted to LE 8.04 million on May 16, 1957. If, for a nineteen month period ending 30 April 1957, the value of Egypt's imports from the Sino-Soviet Bloc together with its surplus balance in the clearing accounts at the end of the period is subtracted from the value of exports to the bloc plus the clearing accounts' balance at the beginning of the period, a difference of LE 35,787,000 is found. The difference is believed to consist of items related to arms payments, payments to military and non-military technicians, the financing of imports from the West by the Soviet Bloc and other invisibles.

October 1955 - April 1957

(LE Million)

Net clearing account balance favor GOE 9/27/55	4.750
Plus exports to Soviet Bloc	90.440
Total	95.190
Less imports from the Soviet Bloc	51.363
Total	43.827
Less balance favor GOE 5/16/57	8.040
Unaccounted for	35.787

2. Arms Payments

An official of the National Bank of Egypt has reported recently that in his opinion arms payments amount to LE 10 million annually. In recent months President Nasser confirmed to Ambassador Hare the fact that the arms were being paid for at the yearly rate of LE 10 million. a/

3. Percentage of Egyptian Cotton Crop Pledged to Sino-Soviet Bloc

The 1956-57 cotton crop has been estimated at 7,094,327 cantars.* Total cotton available for 1956-57 cotton year (carry-over plus crop) is estimated at 8,026,797. On the basis of anticipated local consumption of approximately 2,000,000 cantars, total cotton available for export during 1956-57 may be estimated at about 6,026,797 compared with 6,510,416 cantars in the 1955-56 season.

Known commitments and exports indicate that as much as 50% of the cotton export availabilities in the 1956-57 marketing year (beginning 1 September) may go the Soviet Bloc in comparison with 40% in the 1955-56 period.

* One cantar - 99.05 pounds.

a/ Using LE 87 million (\$250 million) as the estimated value of arms contracts with the Bloc as of 30 Apr 57 and assuming that LE 35 m. had already been paid on these contracts, a balance of LE 52 m. remains. At the rate of LE 10 m. per year these payments must be carried on for at least another 5 yrs. Since the assumption that LE 35 m. had already been paid on the arms contracts is a rather generous one, the balance is probably less than the figure shown.

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From 1 September 1956 through 24 April 1957 1,305,736 cantars (49% of total cotton exports) has been shipped to the Sino-Soviet Bloc. See table below.

Egyptian Cotton Exports
(In Cantars)

	<u>9/1/55 - 8/31/56</u>	<u>9/1/56 - 4/24/57</u>
Total cotton exports:	6,510,416	2,669,057
Of which Sino-Soviet Bloc	2,582,304	1,305,736

4. Bloc Re-exports of Egyptian Cotton

Although there have been numerous reports which have indicated that the Bloc was reselling Egyptian cotton, there is no concrete evidence of any actual sales.

5. With regard to the article entitled "Egypt's Financial Situation Remains Precarious", it should be pointed out that, although the overall classification of the publication is Secret/Refers/Continued Control, the classification of the article itself is only Confidential. OMA has done no analysis more recent than this.